

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY
VIGO COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED
09/23/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Bill McKown (Vacant) William J. Foraker Jeff Hauser	01-01-14 to 02-05-14 02-06-14 to 02-19-14 02-20-14 to 12-31-14 01-01-15 to 12-31-16
Office and Finance Manager	Rose M. Overpeck (Vacant)	01-01-14 to 02-20-14 02-21-14 to 07-06-14
Finance and Office Manager	Karen Burger	07-07-14 to 12-31-16
President of the Board	William J. Foraker Darryl Huyett	01-01-14 to 02-19-14 02-20-14 to 06-30-17



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TERRE HAUTE INTERNATIONAL
AIRPORT AUTHORITY, VIGO COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Terre Haute International Airport Authority (Airport Authority), which comprises the financial position and results of operations for the year ended December 31, 2014, and the related notes to the financial statement as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Airport Authority's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Airport Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 of the financial statement, the Airport Authority prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Airport Authority for the year ended December 31, 2014.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Airport Authority for the year ended December 31, 2014, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Airport Authority's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.


Other Information

Our audit was conducted for the purpose of forming an opinion on the Airport Authority's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated August 2, 2016, on our consideration of the Airport Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport Authority's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

August 2, 2016



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF THE TERRE HAUTE INTERNATIONAL
AIRPORT AUTHORITY, VIGO COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Terre Haute International Airport Authority (Airport Authority), which comprises the financial position and results of operations for the year ended December 31, 2014, and the related notes to the financial statement, and have issued our report thereon dated August 2, 2016, wherein we noted the Airport Authority followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Airport Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Airport Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Airport Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Airport Authority's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Airport Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

August 2, 2016

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the Airport Authority. The financial statement and notes are presented as intended by the Airport Authority.

TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2014

Fund	Cash and Investments 01-01-14	Receipts	Disbursements	Cash and Investments 12-31-14
General Fund	\$ 859,862	\$ 3,975,168	\$ 3,578,400	\$ 1,256,630
Holding for FAA	545,610	1,237	-	546,847
AIP Funds	64,844	833,884	675,922	222,806
Cumulative	336,205	269,751	293,320	312,636
Tif	993,111	321,369	901,365	413,115
Totals	<u>\$ 2,799,632</u>	<u>\$ 5,401,409</u>	<u>\$ 5,449,007</u>	<u>\$ 2,752,034</u>

The notes to the financial statement are an integral part of this statement.

TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Airport Authority was established under the laws of the State of Indiana. The Airport Authority operates under an appointed governing board.

The accompanying financial statement presents the financial information for the Airport Authority.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Taxes, which can include one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, county adjusted gross income tax, and other taxes that are set by the Airport Authority.

Intergovernmental receipts, which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of these types of receipts include, but are not limited to, the following: federal grants, state grants, financial institution tax received from the state, and commercial vehicle excise tax received from the state.

Charges for services, which can include, but are not limited to, the following: hangar and storage rental, rental car commissions, and farm lease income.

Other receipts, which include amounts received from various sources including, but not limited to, the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution, or court order; and fiduciary receipts.

TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENT
(Continued)

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Personal services, which include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies, which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges, which include, but are not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service - principal and interest, which includes fixed obligations resulting from financial transactions previously entered into by the Airport Authority. It includes all expenditures for the reduction of the principal and interest of the Airport Authority's general obligation indebtedness.

Capital outlay, which includes all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Other disbursements, which include, but are not limited to, the following: interfund loan payments; loans made to other funds; and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The Airport Authority may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the Airport Authority. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Airport Authority. The money accounted for in a specific fund may only be available for use for certain, legally-restricted purposes. Additionally, some funds are used to account for assets held by the Airport Authority in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and, therefore, the funds cannot be used for any expenditures of the unit itself.

TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Airport Authority submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Airport Authority in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana, at year end, should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the Airport Authority to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. Risk Management

The Airport Authority may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third-party. The establishment of a self-insurance fund allows the Airport Authority to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the Airport Authority the authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

OTHER INFORMATION - UNAUDITED

The Airport Authority's Annual Financial Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Financial Report of the Airport Authority which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The other information presented was approved by management of the Airport Authority. It is presented as intended by the Airport Authority.

TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014

	General Fund	Holding for FAA	AIP Funds	Cumulative	Tif	Totals
Cash and investments - beginning	\$ 859,862	\$ 545,610	\$ 64,844	\$ 336,205	\$ 993,111	\$ 2,799,632
Receipts:						
Taxes	1,066,412	-	-	61,693	317,188	1,445,293
Intergovernmental receipts	344,662	-	722,797	6,758	-	1,074,217
Charges for services	763,383	-	111,087	-	-	874,470
Other receipts	1,800,711	1,237	-	201,300	4,181	2,007,429
Total receipts	<u>3,975,168</u>	<u>1,237</u>	<u>833,884</u>	<u>269,751</u>	<u>321,369</u>	<u>5,401,409</u>
Disbursements:						
Personal services	1,018,510	-	-	-	-	1,018,510
Supplies	272,677	-	-	-	-	272,677
Other services and charges	431,820	-	-	-	-	431,820
Debt service - principal and interest	180,132	-	-	-	-	180,132
Capital outlay	239,777	-	536,248	-	-	776,025
Other disbursements	1,435,484	-	139,674	293,320	901,365	2,769,843
Total disbursements	<u>3,578,400</u>	<u>-</u>	<u>675,922</u>	<u>293,320</u>	<u>901,365</u>	<u>5,449,007</u>
Excess (deficiency) of receipts over disbursements	<u>396,768</u>	<u>1,237</u>	<u>157,962</u>	<u>(23,569)</u>	<u>(579,996)</u>	<u>(47,598)</u>
Cash and investments - ending	<u>\$ 1,256,630</u>	<u>\$ 546,847</u>	<u>\$ 222,806</u>	<u>\$ 312,636</u>	<u>\$ 413,115</u>	<u>\$ 2,752,034</u>

TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2014

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 2,597</u>	<u>\$ 85,282</u>

TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF LEASES AND DEBT
December 31, 2014

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Ally	2012 GMC Acadia	\$ 4,477	7/18/2012	9/27/2015
Cannon	Copy Machine	3,095	11/1/2012	10/31/2017
Ford Credit	2012 Ford Edge Vehicle	4,625	7/19/2012	7/18/2015
Pitney Bowes	Postage Meter	<u>269</u>	5/1/2012	9/1/2016
Total governmental activities		<u>12,466</u>		
Total of annual lease payments		<u>\$ 12,466</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
Notes and loans payable	Hangar Building Loan	\$ 579,062	\$ 32,846
Notes and loans payable	Snow Removal Building Loan	<u>375,668</u>	<u>116,463</u>
Total governmental activities		<u>954,730</u>	<u>149,309</u>
Totals		<u>\$ 954,730</u>	<u>\$ 149,309</u>

TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2014

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	Ending Balance
Governmental activities:	
Land	\$ 1,588,883
Infrastructure	52,883,798
Buildings	28,964,496
Improvements other than buildings	2,109,808
Machinery, equipment, and vehicles	2,033,016
Construction in progress	594,290
Books and other	938,640
Total governmental activities	89,112,931
Total capital assets	\$ 89,112,931

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

TO: THE OFFICIALS OF THE TERRE HAUTE INTERNATIONAL
AIRPORT AUTHORITY, VIGO COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited the Terre Haute International Airport Authority's (Airport Authority) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2014. The Airport Authority's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Airport Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Airport Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Airport Authority's compliance.

Opinion on the Major Federal Program

In our opinion, the Airport Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2014.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

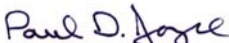
Report on Internal Control over Compliance

Management of the Airport Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Airport Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Airport Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

August 2, 2016

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the Airport Authority. The schedule and notes are presented as intended by the Airport Authority.

TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2014

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Pass-Through To Subrecipient	Total Federal Awards Expended
<u>Department of Transportation</u>					
Airport Improvement Program	Direct Grant				
AIP 35		20.106	3-18-0082-035	\$ -	\$ 89,824
AIP 38		20.106	3-18-0082-038	-	251,496
AIP 39		20.106	3-18-0082-039	-	93,443
AIP 40		20.106	3-18-0082-040	-	28,233
AIP 41		20.106	3-18-0082-041	-	16,200
AIP 42		20.106	3-18-0082-042	-	199,125
Total - Airport Improvement Program					
Total - Department of Transportation				-	<u>678,321</u>
Total federal awards expended				<u>\$ -</u>	<u>\$ 678,321</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the Airport Authority under programs of the federal government for the year ended December 31, 2014. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the SEFA presents only a select portion of the operations of the Airport Authority, it is not intended to and does not present the financial position of the Airport Authority.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-133, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	no

Identification of Major Program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

No matters are reportable.

Section III - Federal Award Findings and Questioned Costs

No matters are reportable.

AUDITEE-PREPARED DOCUMENT

The subsequent document was provided by management of the Airport Authority. The document is presented as intended by the Airport Authority.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – PAGE 1

FINDING 2013-003

INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO AIRPORT IMPROVEMENT PROGRAM

Federal Agency: Department of Transportation
Federal Program: Airport Improvement Program
CFDA Number: 20.106
Federal Award Number and Year (or Other Identifying Number): 3-18-0082-035, 3-18-0082-038,
3-18-0082-039, 3-18-0082-040,
3-18-0082-041

Pass-Through Entity: Direct
Contact Person Responsible for Corrective Action: Jeff Hauser, Executive Director
Contact Phone Number: 812-877-2524

Status of Audit Finding:

Activities Allowed, Allowable Costs, Period of Availability

Airport Authority management relied upon a paid consultant to approve the disbursements for the federal projects. An Accounts Payable Voucher was not prepared for federal project disbursements and the disbursements were not reviewed and approved by someone other than the person making the disbursement.

Establishing controls to ensure vendor invoices are reviewed by someone other than the preparer would assist the Airport Authority management to ensure payments were made for allowable activities and within the period of availability for the grant.

A Board approved paid consultant works directly with the Operations Director in regards to all federal projects. Correspondence regarding disbursement and/or reimbursements from said consultant is sent to the Operations Director and the Finance Office Manager. The Operations Director is responsible for reviewing and approving (by initials/signature) federal project disbursement requests initiated by said consultant. The Operations Director is responsible for completing a claim form including documentation for each project disbursement. Vendor invoices are reviewed for accuracy and documentation by the Finance Office Manager upon submission of the claim by the Operations Director. The Executive Director reviews all vendor invoices and claim forms prior to payment.

Cash Management, Matching

Airport Authority management relied upon a paid consultant to prepare requests for reimbursements of federal funds for airport federal projects. Preparing these claims included calculating matching amounts for state and local funds. The reimbursement requests were not reviewed or approved by knowledgeable Airport Authority staff.

Establishing controls to ensure reimbursement requests are reviewed by a knowledgeable employee of the Airport Authority would assist the Airport management to ensure reimbursements were claimed for allowable expenses at the correct federal percentage.

A Board approved paid consultant works directly with the Operations Director in regards to all federal projects. Correspondence regarding disbursement and/or reimbursements from said consultant is sent to the Operations Director and the Finance Office Manager. The Operations Director is responsible for reviewing prepared requests for reimbursements of federal funds for airport federal projects by said consultant. Review of prepared requests for reimbursements includes verifying calculations of federal funds and matching amounts for state and local funds for airport federal projects. The information is then verified once again for accuracy by the Finance Office Manager. The Finance Office Manager (hired during the above mentioned audit – July 2014) has implemented a comprehensive federal project spreadsheet documenting each AIP project including the contract



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – PAGE 2

FINDING 2013-003

INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO AIRPORT IMPROVEMENT PROGRAM

Cash Management, Matching (Cont'd)

amount of total federal assistance estimated along with matching percentage amounts for state and local funds. Disbursements as well as requests for reimbursements are documented completely with dates and actual (versus estimated) amounts received. The spreadsheet also serves as a visual reminder of requested reimbursement funds and the follow up of actual reimbursement received.

Reporting

Airport Authority management relied upon a paid consultant to prepare reports required by the federal agency. The reports were not reviewed or approved by knowledgeable Airport Authority staff.

Establishing controls to ensure reports are reviewed by a knowledgeable employee of the Airport Authority would assist the Airport Authority management to ensure reports are prepared accurately and completely.

A Board approved paid consultant works directly with the Operations Director in regards to all federal projects. Correspondence regarding disbursements, reimbursements, or financial reports from said consultant is sent to the Operations Director and the Finance Office Manager. The Operations Director is responsible for reviewing and verifying all reports and/or materials prepared by said consultant. Information regarding disbursements, reimbursements, or financial reports is then verified once again for accuracy by the Finance Office Manager.

Special Tests and Provisions

Airport Authority management had controls in place to ensure that revenue was used only for operating and capital activities; however, the controls were not effective.

Proper segregation of duties would assist Airport Authority management in ensuring that one employee did not have the opportunity to spend revenue for non-airport purposes.

- A Board approved paid consultant works directly with the Operations Director in regards to all federal projects. Correspondence regarding disbursements, reimbursements, or financial reports from said consultant is sent to the Operations Director and the Finance Office Manager. The Operations Director is responsible for reviewing and verifying all reports and/or materials prepared by said consultant. Information regarding disbursements, reimbursements, or financial reports is then verified once again for accuracy by the Finance Office Manager. The Executive Director reviews all vendor invoices and claim forms prior to payment. The Finance Office Manager (hired during the above mentioned audit – July 2014) has implemented a comprehensive federal project spreadsheet documenting each Airport Improvement Program with the contract amount of total federal assistance estimated along with matching percentage amounts for state and local funds. Disbursements as well as requests for reimbursements are documented completely with dates and actual (versus estimated) amounts received. The spreadsheet also serves as a visual reminder of requested reimbursement funds and the follow up of actual reimbursement received. The Authority is a very small governmental unit; however segregation of duties has been put into place to the best of our ability: Mail is not opened by Finance Office Manager, but by any other employee in the office; Prior to payment, the Executive Director reviews all claims for accuracy and supporting documentation before signing off on Claim Docket presented to the Board of Directors for approval at Board meetings; Credit card statements and corresponding claims are reviewed by the Executive Director for accuracy and supporting documentation prior to payment; Monthly credit card statement spreadsheet prepared (by Finance Office Manager) for detail of items charged and accounts expensed reviewed and signed by Finance Office Manager and Executive Director – given to Board of Directors (with copy of corresponding credit card statements)



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – PAGE 3

FINDING 2013-004 - CASH MANAGEMENT

Federal Agency: Department of Transportation
Federal Program: Airport Improvement Program
CFDA Number: 20.106
Federal Award Number and Year (or Other Identifying Number): 3-18-0082-038, 3-18-0082-040,
Pass-Through Entity: Direct
Contact Person Responsible for Corrective Action: Jeff Hauser, Executive Director
Contact Phone Number: 812-877-2524

Status of Audit Finding:

The Airport Authority was required to pay vendors prior to claiming amounts for reimbursement. The Airport Authority received 27 reimbursements for various Airport Improvement projects during 2013 and for 10 of those, the Airport Authority did not pay the vendors prior to receiving the reimbursements.

Corrective action was taken to educate/re-educate employees, notably the newly hired (July 2014) Finance Office Manager, of correct procedures for paying federal project vendors prior to requesting federal, state and local fund reimbursement.

FINDING 2013-005 - REPORTING

Federal Agency: Department of Transportation
Federal Program: Airport Improvement Program
CFDA Number: 20.106
Federal Award Number and Year (or Other Identifying Number): 3-18-0082-035
Pass-Through Entity: Direct
Contact Person Responsible for Corrective Action: Jeff Hauser, Executive Director
Contact Phone Number: 812-877-2524

Status of Audit Finding:

The Federal Financial Report (SF-425) is required to be filed annually by the Airport Authority. The report requires a listing of cumulative disbursements as of the end of the grant year (September 30, 2013) by grant award. One project was omitted from the report. Project 3-18-0082-035 only had one disbursement in 2013, but the cumulative total should have been included in the report.

The Board approved paid consultant works directly with the Operations Director in compiling information for the Federal Financial Report (SF-425) annually. The Operations Director is responsible for reviewing and verifying all reports and/or materials prepared by said consultant. The Finance Office Manager has final review of information for accuracy prior to the report being filed with the FAA.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – PAGE 4

FINDING 2013-006 – SPECIAL TESTS AND PROVISIONS

Federal Agency: Department of Transportation

Federal Program: Airport Improvement Program

CFDA Number: 20.106

Federal Award Number and Year (or Other Identifying Number): 3-18-0082-035, 3-18-0082-038,
3-18-0082-039, 3-18-0082-040,
3-18-0082-041

Pass-Through Entity: Direct

Contact Person Responsible for Corrective Action: Jeff Hauser, Executive Director

Contact Phone Number: 812-877-2524

Status of Audit Finding:

The Airport Authority was not in compliance with the Special Tests and Provisions requirement regarding Revenue Diversion during 2013.

The former Office and Finance Manager used numerous Airport Authority credit cards to charge personal expenditures. Personal items such as food, clothing, nails, gasoline, internet, cell phone monthly bills, airplane tickets, RV camping fees, and shoes were all charged to various Airport Authority credit cards. She also spent Airport Authority funds by check on personal package shipping and personal clothing.

The former Office and Finance Manager also used Airport Authority funds to make purchases at Lowe's Home Improvement Store for appliances. Those purchases are considered personal and unrelated to the operation of the Airport Authority.

All federal funds were accounted for and were not used to make these personal purchases. However, it could not be determined if the source of the funds used to make the personal purchases was property tax receipts or other generated revenue.

The total amount of purchases for 2013 that are considered to constitute unlawful revenue diversion was \$16,945.21.

- The former Office and Finance Manager was terminated, and the Executive Director at that time resigned
- Employee Handbook has been revised, updated, and approved by the Board of Directors (January 2016)
- Claims submitted must have preparer's signature and proper documentation when submitted to Finance Office Manager for Accounts Payable entry
- Prior to payment, Executive Director reviews all claims for accuracy and supporting documentation before signing off on Claim Docket presented to the Board of Directors for approval at Board meetings;
- New Finance Office Manager (July 2014) has developed Income/Expenses Reports (YTD Prior Year Expenses column added to 2016 report as source of yearly comparison) Cash Balance-Liability Reports (includes 12 months of bank balances for comparison), CUM Building and TIF Fund Reports; Reports are given to Board of Directors MONTHLY
- Only (3) three credit cards issued, all to managers/directors; all unnecessary cards have been cancelled/destroyed; receipts must accompany all charges; monthly statements and corresponding claim(s) are reviewed by Finance Office Manager and Executive Director for accuracy and supporting documentation prior to payment; Monthly credit card statement spreadsheet prepared (by Finance Office Manager) for detail of items charged and accounts expensed reviewed and signed by Finance Office Manager and Executive Director – given to Board of Directors (with copy of corresponding credit card statements).
- Bank accounts reconciled monthly and reported on the Cash Balance-Liability Report given to the Board of Directors in their monthly financial packet
- Petty Cash – Eliminated



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – PAGE 5

FINDING 2013-006 – SPECIAL TESTS AND PROVISIONS (Cont'd)

- Signature Stamps – Eliminated use of; stamps destroyed
- Checks and/or cash are bank deposited within 24 business hours of receipt with proper documentation
- Payroll schedule and voucher (Form 99 Short) implemented for Executive Director review and verification of biweekly payroll for accuracy
- Payroll PTO balances are reviewed each pay period by the Executive Director and Operations Director
- Mail is not opened by Finance Office Manager, but by any other employee in the office
- The Authority is a very small governmental unit; however segregation of duties has been put into place to the best of our ability

OTHER REPORTS

In addition to this report, other reports may have been issued for the Airport Authority. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.